

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /092 W

----- 111867

R 301816Z APR 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8790

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E.O. 11652: N/A

TAGS: ETRD, EAGR, EEC

SUBJECT: FOLLOW-UP ON CHEESE COUNTERVAILING PROBLEM

REF: A) STATE 99060

B) STATE 92821

C) EC BRUSSELS 3042

D) STATE 77388

1. BEGIN SUMMARY: MISSION INTENDS TO PRESENT FORMALLY TO THE COMMISSION THE LETTER FROM ACTING TREASURY SECRETARY GARDNER. HOWEVER, WE BELIEVE THAT TO AVOID CONTRIBUTING TO THE SORE FEELINGS ON THE CHEESE ISSUE AND EVEN GENERATING CONFUSION, THOUGH US INTENT IS THE CONTRARY, IT WOULD BE PREFERABLE TO RECONSIDER THE DESIRABILITY OF SENDING THE LETTER SUGGESTED IN REFTEL A. END SUMMARY.

2. THE MISSION INTENDS TO PRESENT FORMALLY TO THE COMMISSION THE LETTER FROM ACTING SECRETARY GARDNER (REFTEL B) AND REQUESTS THAT WE BE INFORMED OF THE DATE WHICH SHOULD APPEAR ON THE LETTER. WE ARE, HOWEVER, HOLDING OFF ON THE ACTUAL PRESENTATION UNTIL WASHINGTON HAS A CHANCE TO CONSIDER THE ISSUES RAISED IN THIS MESSAGE.

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3. THE MISSION RECOMMENDS RECONSIDERATION OF THE ADVISABILITY OF SENDING THE LETTER IN REFTEL A. WE RECONGNIZE THAT THE OBJECTIVES ARE (A) TO DEMONSTRATE APPRECIATION AND GOODWILL FOR THE COMMISSION'S EFFORTS AND TO EASE SOME OF THE STRAINS WHICH AROSE DURING THE LAST STAGES OF THE CHEESE DISCUSSIONS AND (B) TO CLARIFY IN ONE DOCUMENT OUR UNDERSTANDING OF THE ACTIONS TAKEN SO FAR IN ORDER TO AVOID FUTURE CONFUSION AND/OR MISUNDERSTANDINGS. WE SEE STRONG REASONS FOR THE VIEW THAT THE PROPOSED LETTER WOULD NOT ACCOMPLISH THESE RESULTS, BUT WOULD ON THE CONTRARY EXACERBATE THE SITUATION.

4. BECAUSE OF THE SEVERE INFIGHTING WITHIN THE COMMISSION DURING THE LAST STAGES OF THE NEGOTIATIONS, WE BELIEVE THE LETTER WILL BE CONSTRUED IN SOME QUARTERS AS RUBBING SALT IN THE WOUNDS AND ATTEMPTING TO REINSTITUTE THE IDEA OF AN "AGREEMENT." THE INTERNAL COMPROMISE RESULTING IN FINAL CONCESSIONS BY THE COMMISSION WAS THAT IT WOULD BE A "UNILATERAL" ACTION AND NOT A US/EC AGREEMENT, ALTHOUGH THEY UNDERSTOOD WE WOULD TAKE "PARALLEL" ACTION WHICH WE HAVE IN FACT DONE. THEY DECIDED TO ABANDON THE PREVIOUSLY-CONSIDERED LETTER FROM LARDINOIS TO AMBASSADOR GREENWALD FOR PRECISELY THIS REASON. FURTHER US EFFORTS TO ELUCIDATE UNDERSTANDINGS AND DETAILS AT THE COMMISSIONER LEVEL MAY WELL BACKFIRE POLITICALLY. THE COMMISSION IS PAINFULLY AWARE OF THE ACTIONS WHICH IT HAS TAKEN AND THE EXPRESSED US INTENTION TO COUNTERVAIL HAD THEY NOT TAKEN THESE ACTIONS, AS WELL AS THE RISKS SHOULD THEY RESCIND THEM. WE FEEL THAT THE APRIL 24 PRESS ANNOUNCEMENT BY ACTING SECRETARY GARDNER -- WHICH WE DELIVERED TO SOAMES PROMPTLY -- IS A CLEAR STATEMENT OF THE US UNDERSTANDING AND THAT A FURTHER US LETTER RISKS DIMMING THIS CLARITY.

5. THE FOLLOWING ARE COMMENTS ON SPECIFIC SECTIONS OF THE TEXT IN REFTEL A. THE FIRST PARAGRAPH CONFIRMS INFORMATION WHICH HAS ALREADY BEEN CONVEYED IN THE FORM OF THE TREASURY PRESS RELEASE AND IN THE STATEMENTS DISCUSSED IN REFTELS C AND D. PARAGRAPH 2 EXPRESSES UNDERSTANDING FOR THE INTERNAL POLITICAL PRESSURES ON BOTH SIDES, WHICH HAS ALREADY BEEN CONVEYED VERBALLY SEVERAL TIMES.

6. PARAGRAPH A RECITES THE COMMISSION'S OWN ACTIONS, WHICH LIMITED OFFICIAL USE

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THEY OF COURSE KNOW QUITE WELL. THE LAST SENTENCE OF THAT PARAGRAPH WOULD BE CONSTRUED AS A UNILATERAL EFFORT BY THE US TO OBLIGE BOTH PARTIES TO CONSULT, A FORMULA THEY SPECIFICALLY REJECTED IN TURNING DOWN THE TEXT OF THE LARDINOIS LETTER. IN ADDITION, IT CAN BE CONSTRUED AS A WEAKENING OF THE US THREAT TO COUNTERVAIL SHOULD THEY REINSTITUTE SUBSIDIES ON THE SENSITIVE CHEESES. THE FIRST TWO SENTENCES IN PARAGRAPH B BY GIVING A US VERSION OF THE COMMISSION'S INTENTIONS CONTAIN

ELEMENTS OF THE DRAFT LARDINOIS LETTER WHICH THEY HAVE
ALREADY REJECTED. THE LAST SENTENCE OF THAT PARAGRAPH HAS BEEN
TAKEN CARE OF IN THE TREASURY PRESS RELEASE CITED ABOVE.

7. IN PARAGRAPH C THE FIRST SENTENCE IS CONTAINED IN THE TREAS-
URY PRESS RELEASE. THE SECOND SENTENCE HAS BEEN CONVEYED TO
THEM (REFTEL C). THE LAST TWO SENTENCES ON THE INSTITUTION OF
A MONITORING SYSTEM SHOULD IN OUR OPINION BE CONVEYED TO THE
EC DELEGATION IN WASHINGTON AS ROUTINE SURVEILLANCE MEASURE.

8. THE LAST THREE PARAGRAPHS EXPRESS APPRECIATION FOR THE
COMMUNITY'S ACTION, INDICATE A US WILLINGNESS TO CONSULT
AND INCLUDE ON ASSUMPTION THAT THE COMMUNITY WOULD BE PREPARED
TO DO THE SAME. THE FIRST TWO ASPECTS ARE OF COURSE NOT OUT
OF PLACE BUT OUR JUDGMENT IS THAT THE ADVANTAGES DO NOT RPT
NOT OFFSET THE RISKS. IN THE CIRCUMSTANCES, WE THINK THE BEST
THING IS TO PUT THE CHEESE WAR BEHIND US. RE CONSULTATION
THERE IS NO REASON TO SUPPOSE THE COMMISSION WOULD BE OPPOSED
TO TALKING WITH US AS NECESSARY BUT IN THE PRESENT CLIMATE
THEY DO NOT WANT TO MAKE SPECIAL CONSULTATION COMMITMENT RE
CHEESE.GREENWALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CHEESE, COUNTERVAILING DUTIES
Control Number: n/a
Copy: SINGLE
Draft Date: 30 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU03884
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750152-0590
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975041/aaaaaacv.tel
Line Count: 136
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 99060
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 17 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 APR 2003 by BoyleJA>; APPROVED <21 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOLLOW-UP ON CHEESE COUNTERVAILING PROBLEM
TAGS: ETRD, EAGR, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006